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Britain Raises Most Guaranteed Farm Prices

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This week's cover:

British dairy cows graze on a hillside in Derbyshire. In its last Annual Review before accession into the EC, the United Kingdom gave substantial incentives to farmers for expansion of dairy herds to produce more butter, milk, cheese, and other products and to increase calf numbers, which would expand domestic beef output.

Earl L. Butz, Secretary of Agriculture

Clarence D. Palmby, Assistant Secretary for International Affairs and Commodity Programs

Raymond A. Ioanes, Administrator, Foreign Agricultural Service

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Britain Raises Most Guaranteed Farm Prices

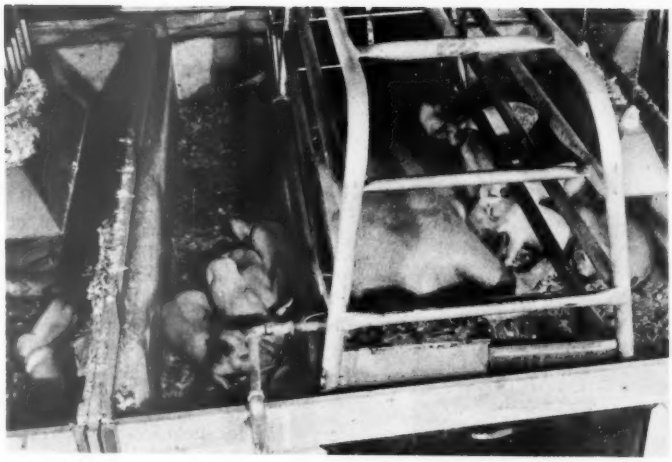
The U.K.'s Annual Review reflects the expected effect of imminent entry into the European Community. Major emphasis is put on livestock.

The United Kingdom has published its Annual Review and Determination of Guarantees for 1972. This year's Review is particularly significant because it is the last before the Treaty of Accession, which will bring Britain into the European Community (EC), goes into effect.

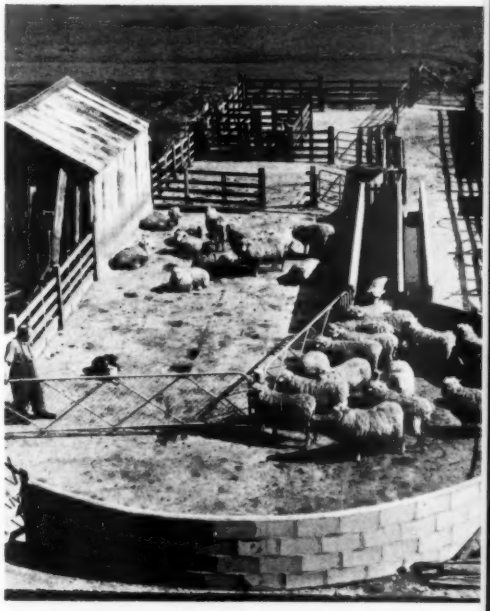
The Government's main consideration in this year's Review is the effect of the impending entry into the EC. This has been taken into account in making the subsequent determinations. With this end in mind, the Government has raised guaranteed prices on all commodities except eggs, which take a cut, and rye and potatoes, which remain unchanged.

The general emphasis, however, is on livestock, particularly cattle. A substantial incentive has been given for early expansion of dairy herds. More milk will enable producers to provide more butter, cheese, and other needed dairy products. And more calves will make it possible to expand output of beef. Although cattle have been given first priority, substantial encouragement also has been bestowed on production of sheep and pigs.

According to the Review, it is essential to expand production before EC advantages make themselves felt. The aim is to improve the already good record of productivity gain in agriculture by encouraging producers to make decisions for further expansion now. This is especially important for livestock, which has the longest production time lag. Moreover, the Government believes that the greatest gains in overall efficiency in U.K. farming are likely to come from farming systems based on



Livestock and grain are important items in the British economy. Left, pig farrowing pens. Below, sheep handling pens. Bottom, drying and storing grain on floor.



a balanced combination of livestock and arable production.

As of April 1, 1972, the guaranteed price of fat cattle went up 7 percent to $30.65 per 100 pounds (live weight). Although the number of breeding cows increased between June 1970 and June 1971, the number of dairy cows, which are the main source of calves for beef production, remained static. Therefore, in conjunction with the higher price for fat cattle, the guaranteed price of milk has been raised 4.5 percent to 48 cents per U.S. gallon.

The guaranteed price of milk is geared to the retail price of milk on the fluid market with the guaranteed price applicable only to a "standard quantity" which is closely related to the size of the fluid market. Although fluid sales dropped slightly in 1971-72, the Government will make no adjustments this year to the standard quantity, except for a minor change in Northern Ireland. Thus, even if liquid consumption continues to decline a little, the 1972-73 guaranteed price will not be affected.

Farmers' actual returns, however, are influenced markedly by sales of milk for manufacturing into dairly products. In the past, when dairy product prices on world markets were depressed, milk sold for manufacturing earned prices substantially below the guaranteed price because it had to compete with imported products. During 1971-72, dairy product prices rose rapidly and are expected to stay firm during the next 12 months. Since farmers' returns for milk are pool prices from both fluid and manufacturing markets, their income from milk should improve considerably.

Normally, an increase in the milk guarantee has to be paid for by a rise in the retail price of fluid milk which is Government-controlled. In 1972-73, however, the higher guarantee will be paid out of funds accumulated through the enhanced prices for manufacturing milk.

The British Government hopes that the improved returns for milk plus the raising of the fat cattle guarantee will go far toward boosting beef production during the early years of EC transition as well as toward improving U.K. self-sufficiency in dairy products.

Other livestock guaranteed price increases include pigs. Fat pig prices were raised 2 percent to $36.53 per 100 pounds dead weight. Pig guarantee prices rise when feed prices go up. Although feed prices this year are much lower than those of last season, the guaranteed price is worked on last year's feed formula, which caused the guaranteed price to rise. According to the Review, the U.K. pig breeding herd reached a peak of 995,000 in March 1971, but fell to 958,000 by the end of the year, 3 percent below December 1970.

Fat sheep and lambs, too, were awarded a guaranteed price increase for the coming season. It amounted to 9 percent, bringing the price up to 63.2 cents per pound, dressed carcass weight. At the same time, the guaranteed price for wool was raised 1.5 percent to 59.8 cents per pound.

A number of major crops also were awarded increased guaranteed prices. Wheat and barley were among these. However, their proportions differed from those of the past. Since 1967,

Farmers sort potatoes by size before storing on ground covered with straw.

wheat has been emphasized for animal feed. It was called the best home-produced substitute for imported corn in poultry rations. The 1972 Review, however, has granted a larger increase to barley than to wheat. The wheat guaranteed price for the 1972 crop has been raised 5 percent to $2.395 per bushel, while the barley price went up 7.5 percent to $1.74 per bushel.

Cereal acreage recovered strongly in 1971 and good growing and harvesting conditions brought yields well above those of recent years. Some further expansion could take place in 1972; the area sown to winter wheat by December 1971 was slightly larger than a year earlier.

The target prices for wheat and barley—the theoretical selling prices set by the Government from which price supports are calculated—have been retained and will be determined for the 1972 crop at a later date.

Another grain that will get a raised guaranteed price is oats, which will go up 5 percent to $1.12 per bushel. The guaranteed price for rye remains the same at $1.40 per bushel.

One other increase in guaranteed prices for 1972-73 was made. It was for sugarbeets, which rose 5.5 percent to $18.57 per short ton. The 1971 crop of sugarbeets was the largest on record because of high yields. The guaranteed price for 1972-73 will apply to only 443,000 acres.

No change has been made in the guaranteed price for potatoes, which remains at $38.42 per short ton. Although area planted to potatoes in 1971 was 6,000 acres below the target level of 640,000 acres, high yields produced a very large surplus. As a result, prices have been weak and market supports have been needed again this year as they were in 1970-71. The target area for 1972-crop potatoes has been reduced to 605,000 acres. If yields are below the high levels of the last 2 years, production should correspond more closely to demand.

Since the U.K. Government is in the process of phasing out egg guarantee arrangements, the guaranteed price has been lowered for 1972-73 by 3 percent, bringing the price-per-dozen down to 41.6 cents. The standard quantity for hens' eggs in 1972-73 will remain at 651 million dozen with a lower limit of 480 million.

The guarantee year is divided into seasonal periods and each period is allocated a part of the standard quantity on the basis of actual production in the equivalent period of previous years. The subsidy is paid at the basic rate if the production in a seasonal period is between the upper and lower limits of the standard quantity allocated for that period. If production exceeds the upper limit of the standard quantity, the basic rate of subsidy is reduced and, if it is below the lower limit, the rate of subsidy is increased, but only up to a specified level.

This year's Review placed greater emphasis on end prices. In accordance with this policy, some reductions are being made in the amount of production grants and subsidies. For example, the principal change involves a big cut in the fertilizer subsidy. This could go a long way toward lessening the benefits of the high guaranteed prices on cereal production. The reduction of $52 million is equivalent to two-thirds of the present subsidy and will affect deliveries of fertilizer made on or after June 1.

Supplements for hill cows and sheep will be increased. The hill cow supplement will rise by 15 percent to $14.95, and that for sheep will go up 67 percent to 65 cents.

Other subsidies which are being changed are in capital grants. Grants for field drainage will continue at the rate of 70 percent on hill land and 60 percent elsewhere. However, applications received after March 18, 1972, for all other works and facilities will not be eligible for the higher rates of the last 2 years. Furthermore, it was proposed that after March 31, 1972, applications for grants for land clearance, reclamation and plowing, hedge removal, fencing, shelter belts, and sheep and cattle grids would be discontinued, except in hill areas. On the other hand, the horticultural improvement scheme combined rate of grant went from 35 to 40 percent on April 10, 1972.

The expansion in hill cow and sheep supplements, the exemption of hill areas from discontinued capital grants, and the increase in the rates of grants under the horticultural improvement scheme clearly are designed to favor the sectors of British agriculture which are expected to suffer most from entry into the EC. Farming organizations are especially concerned about the future of the more remote upland areas of Scotland, Northern Ireland, Wales, and the Western areas of England after entry into the EC. The major fear is that many of the special subsidies now enjoyed by farmers in these regions will be illegal under the EC's Common Agricultural Policy (CAP).

The fears for the horticultural industry stem mainly from the effects of exposing it to competition from more climatically favored areas of Europe after the import quotas and seasonally adjusted tariffs are removed when Britain enters the Community.

The U.K.'s farm income balance sheet showed a substantial gain in 1971-72. After deducting farm expenses from the gross output and allowing for stock changes and depreciation, net

farm income is estimated at slightly more than $1.7 billion, up $148 million from 1970-71.

Generally, Review awards take into account only agreed production cost increases incurred on Review commodities. In 1971-72, estimates showed these costs to be up by $125.8 million. It is customary for the Government to deduct an "agreed efficiency factor" of between $65 million and $78 million, which reflects improved farm productivity. The estimate of the 1972-73 Review awards of $187.2 million is well in excess of the production cost increases on Review commodities and indicates that the Government has not deducted the agreed efficiency factor.

The Government proposes to provide additional resources by more than recouping cost increases as a whole and by providing considerably more than recoupment for some commodities. This means that a substantial cash injection will be available to the industry to accelerate the present rising trend of production. According to the Government, these resources can best be provided through guaranteed end prices.

When the CAP of the EC applies in full to U.K. agriculture, farmers can expect markedly higher prices for most domestically-produced farm commodities. Some expenses, notably feed costs, also will rise, but the general prospects are clearly good.

Producer and market prices will begin to rise in 1973—toward those of the Community—a process which will be completed in 1978. The changes to the U.K. system of support as well as the benefits to British agriculture will be substantial, especially if the present rising production trends continue.

The most significant feature of the Review is that it is targeted toward British entry into the EC. This can be observed through the fairly obvious measures to boost British farm output during the transitional period in order to decrease future dependence on imports and also on the emphasis being placed by the Minister of Agriculture and other officials on production of livestock and livestock products.

Once in the EC, Britain intends to press for expanded production and higher prices for livestock and livestock products, while keeping grain prices and feed costs at present levels. Such a policy, if successful, should stimulate world grain trade, thus benefiting U.K. farmers, consumers, and taxpayers in the enlarged Community, as well as the United States and other low-cost feedgrain exporters.

The National Farmers' Union accepted the Review with some reservations. The Union said the total award was a step in the right direction, but it did not meet with their idea of the amount needed for the industry to gear itself to competition from Europe. According to reports, the Union had hoped for an award in the neighborhood of $260 million. Nevertheless, the Union concedes that this year's Review is the best since 1948.

—Based on a dispatch by the *U.S. Agricultural Attaché, London*

U.S. Imports of Palm Oil Are Called Part of Give-and-Take of World Trade

Speaking before the Indiana Farm Bureau, March 23, 1972, Assistant Secretary of Agriculture Clarence D. Palmby noted that the growth of U.S. exports of soybean oil in the past 4 years has been more than 14 times greater than that of U.S. imports of palm oil. He said:

The world situation for fats and oils continues to be generally good. Between mid-1969 and mid-1971, prices were exceptionally high. Since mid-1971, there has been an appreciable reduction in prices in response to sharply larger foreign supplies. Still, prices are relatively good.

Here in the United States, utilization of soybeans will be down this marketing year compared with a year earlier. This is due in part to the higher bean prices resulting from the reduction in supplies, and reduced oil exports due to the foreign situation. For the third straight year, the disappearance of soybeans will be greater than production. Soybean prices reflect this, and for the marketing year it is estimated they will average the highest since 1947.

The paradox is that, while soybeans are in somewhat short supply, we find ourselves long on soybean oil. This creates a highly competitive situation, and it tends to magnify our concern over those products that compete with our vegetable oils.

For instance, there is increasing anxiety in this country because of the rise in imports of palm oil—a trend that has been evident for about 3 years. There is good reason to be alert to these imports. Palm oil production is increasing around the world, and these imports do compete with our vegetable oils within the United States and with soybean oil from our beans crushed abroad. Nevertheless, it is important that we keep this matter in perspective.

Between 1967 and 1971, imports of palm oil into the United States grew from 64 million pounds to 227 million pounds. During the same period, U.S. exports of soybean oil—as oil and in the form of beans—grew from 4 billion pounds to 6.3 billion pounds, oil equivalent. In other words, our palm oil imports grew by only 163 million pounds while our oil exports grew by 2.3 billion.

Moreover, **total U.S. exports of oilseeds and products are now valued at over $2 billion a year.** As soybean producers, we therefore have a tremendous stake in the furtherance of liberal trade in the world—a goal that our Government is pursuing in every corner of the globe. We would not be exporting one-half of our soybean crop, were it not that we have generally good access into Japan, the European Community, and other important markets.

So it is very plain that our advantage lies in a continued effort to expand markets and maintain access to markets. And this means we must live with the give-and-take of trade. The last thing we want to do is to jeopardize a $2-billion market overseas just because we are concerned about $23 million—or even more—of palm oil imports.

We must keep trade channels open, if we are to benefit from the worldwide trend toward greater livestock and poultry production. The growing taste for animal proteins in other countries—the actions by various governments to favor increased consumption of these products—add up to a tremendous potential for the producers of feedstuffs around the world. And who does a better job of growing grain and soybeans than the American farmer?

Mexico's Famed Strawberry Region Plans an Asparagus Industry

By A. CLINTON COOK
Fruit and Vegetable Division
Foreign Agricultural Service

The Bahio region of central Mexico, where the frozen strawberry industry is now in the midst of growing pains, may be developing a frozen vegetable industry. In this extensive mountain valley, blessed with advantages of soil, labor, and water plus good highway connections, experimental production is underway for several new vegetable crops, asparagus in particular.

These crops could take advantage of the excess freezer capacity built up in that area for strawberries. And U.S. growers and processors of similar vegetables might in time run into the same kind of tough import competition the U.S. strawberry industry is currently undergoing from that in Mexico.

Mexico's strawberry industry, centering around Irapuato and Zamora, is just now recovering from the disastrous 1970 export year. Record movements of frozen strawberries northward that year demoralized the U.S. market, where some 95 percent of the exports normally go. At the end of the marketing season, about 35 million pounds of Mexican strawberries were still in bonded storage.

An abnormal carryover of both Mexican and domestic berries kept prices very low during calendar 1971 also, even though imports from Mexico declined to 83 million pounds. Only a few months ago did the market right itself.

Mexican growers say they "never want to see another 1970." They apparently welcomed the voluntary 82-million-pound quota established on Mexican exports of frozen strawberries and strawberry paste and pulp to the United States, under a February 1972 agreement signed by the two governments. This limitation, while well below 1970 shipments, is somewhat above the average for the 5 preceding years.

U.S. estimates indicate that Mexico's 1972 exports of strawberry items will be about equal to the agreed quantity, but Mexican industry officials believe they will be slightly lower. They base this estimate primarily on a reduction in acreage, since yield prospects are better than last year when there was considerable weather damage.

Both Mexico's difficulties with frozen strawberries and its experiments with frozen vegetables arise from the overbuilding of freezer capacity in the Bahio. Total freezing potential there is now at least 250 million pounds of frozen berries for a normal operating season—well above the U.S. pack and far beyond the processors' ability to find markets. As a result, the freezers will run at less than 50 percent of maximum capacity this season, and several of the larger freezing plants will not operate at all.

From Irapuato, where the first strawberry plantings—nearly all used for freezing—took place in the 1950's, and where much of the freezer capacity is located, acreage is now shifting to Zamora. Production in that area—which has better water supplies, yields generally 30 to 50 percent higher, and less winter frost damage—is now at least double that in Irapuato.

Around Irapuato, interest is turning to new crops. After several years of experimental asparagus plantings, production prospects look promising. Some industry officials rate the area as almost comparable to the best asparagus areas in California.

The main problem is financing. The crop requires 4 years from seeding to full production, although growers believe a bed will then produce for 8 to 10 years without being replanted. Mexican growers usually have trouble financing a crop with such a production lag. Thus, most technical assistance and a large part of the financing are handled by three U.S. firms involved in Mexican asparagus production—one that markets fresh produce only, one that markets frozen, and one that markets both canned and fresh.

Most of the fresh asparagus is harvested during the fall. Fresh green asparagus is exported to the United States, Canada, and the United Kingdom; canned (mostly white), to other Latin American countries, Europe, and the United States; frozen (all green), mostly to the United States. Very little of the crop is consumed within Mexico, where this vegetable is not yet well known.

Thus far, asparagus production is relatively small—about 3 percent of the U.S. crop—but it is expected to increase sharply, perhaps as much as 25 percent a year while full production is being reached. Several years must pass, however, before it can compare with the U.S. crop.

Other new crops that industry officials consider promising in the Irapuato area are broccoli, cauliflower, and brussels sprouts. These are already being frozen, and the processing season can be greatly expanded by planting at different elevations.

U.S. IMPORTS OF PROCESSED STRAWBERRIES, 1965-71
[In thousands of pounds]

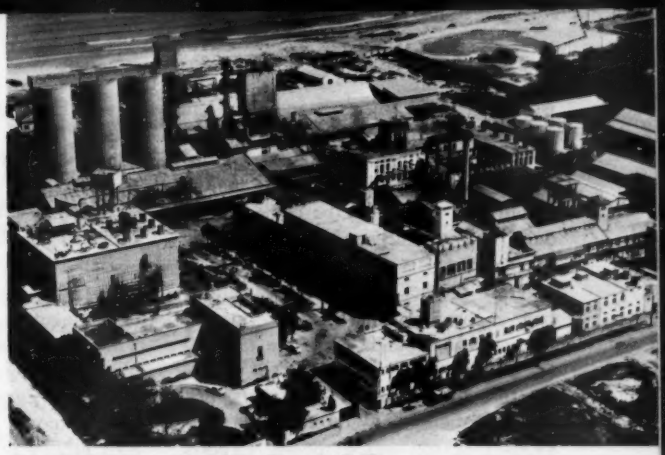
Year	Frozen			Paste and pulp			Total		
	Mexico	Other	Total	Mexico	Other	Total	Mexico	Other	Total
1965	51,796	2,070	53,866	[1] 6,700	—	[1] 6,700	[1] 58,496	[1] 2,070	[1] 60,566
1966	82,826	2,881	85,707	[1] 6,607	—	[1] 6,607	[1] 89,433	[1] 2,881	[1] 92,314
1967	72,693	1,966	74,659	6,024	18	6,042	78,717	1,984	80,701
1968	68,199	6,965	75,164	6,115	30	6,145	74,314	6,995	81,309
1969	87,962	5,073	93,035	9,744	—	9,744	97,706	5,073	102,779
1970	101,521	8,217	109,738	6,477	2	6,479	107,998	8,219	116,217
1971 [2]	83,166	1,399	84,565	8,728	30	8,758	91,894	1,429	93,323

[1] Estimated. [2] Preliminary.

Israel's Agricultural Trade

Farm output meets over three-fourths of domestic needs, but growing demand keeps Israel's imports of U.S. farm products up.

By MICHAEL E. KURTZIG
Foreign Demand and Competition Division
Economic Research Service



The Shemen oil processing plant at Haifa.

Israel's agricultural exports and imports are nearing a state of equilibrium, although demand for U.S. agricultural products remains high. Over the past decade, Israeli agriculture has helped to lessen the agricultural trade gap by supplying over three-fourths of Israel's domestic food requirements while at the same time helping to decrease the rate of growth of agricultural imports.

In 1970, total production of Israeli agriculture was valued at $518 million at current prices. This was a growth of about 50 percent in the period 1963-70 (the time covered by this article), according to U.S. Department of Agriculture statistics.

During the past 8 years, while Israeli agricultural needs have increased because of a growing population—which includes people living in the occupied areas—and a rising standard of living, agricultural imports have not increased at the same rate as total imports. Between 1963 and 1970, agricultural imports were up 41 percent compared with an increase of 116 percent for total imports. Prior to 1963, agricultural imports accounted for about 21 percent of the total, but they declined to 14 percent by 1970. In the latter year, imports from the United States were valued at about $100 million, nearly 50 percent of all Israeli farm imports.

On the export side there has been a number of significant developments during the past 8 years. Israel's agricultural exports increased from $114 million in 1963 to $191 million in 1970, an increase of 68 percent. While the United States has been the leading market for total Israeli exports, exports of agricultural commodities to the United States have been quite small. In 1963 exports to this country totaled about $400,000, but increased to about $6 million in 1970, mostly specialty-type and processed products.

Import trade. Although Israeli imports have changed somewhat over the years, cereals and oilseeds continued as the country's two leading imports. Meat and meat preparations moved into third place and in 1969 they were triple the 1963 level. While the U.S. share of Israel's meat trade was never large—less than 10 percent, in fact—Argentina has expanded its share of this growing market from about 30 percent in 1963 to over 50 percent in 1970.

Except for rice and barley, the United States has captured most of Israel's grain market. In 1971, U.S. grain sales to Israel amounted to some $73 million, about 57 percent of total agricultural sales of $127 million. Wheat ($24 million) was the major item.

Israeli imports of rice escalated from $2.2 million in 1963 to $5.7 million in 1970. During that period the U.S. share declined from about 65 percent to 37 percent, with Argentina emerging as our leading competitor.

Canadian barley has pretty largely edged the U.S. product out of the market; the U.S. share fell from 41 percent to less than 10 percent.

Israel's second largest import item is oilseeds, mainly soybeans. Total imports of oilseeds in 1970 amounted to $28.5 million with soybeans accounting for $25.6 million. In 1963 the comparative figures were $21.7 million and $19.5 million, respectively. The United States is the sole supplier of soybeans to this market.

Israeli imports of vegetable fats and oils changed relatively little over the period with soybean oil accounting for 80 percent of the total, all of which came from the United States.

Cotton is another major Israeli import, but its total value has dropped in recent years. In 1963, imports totaled $4.8 million, but declined to only $1.9 million by 1970; Israel's acreage and production has increased sharply during the past 5 years. Because of this and other factors, the U.S. share of Israel's cotton imports dropped from over 41 percent to about 23 percent.

Israel's imports of all natural fibers, including cotton, also declined—from $12.7 million in 1963 to $2.3 million in 1970. In 1967, Israel became a net exporter of cotton.

On the other hand, Israel's imports of tobacco have more than doubled since 1963, with the U.S. share going from 20 percent to over 30 percent. Imports of hides and skins have not grown much during the past 8 years, but the U.S. share of these imports has risen from 23 percent to nearly 55 percent.

The value of Israel's dairy product imports—mainly milk and cream—also have increased, from $2 million to $4.1 million. The U.S. share of this market declined from over 50 percent in 1963 to 16 percent in 1970.

The final category of imports of interest to the United States, feedstuffs for animals, declined sharply from 1963 to 1970; however, the U.S. share increased from about 0 to 33 percent of the market during the period 1963-70.

Export trade. Israel's largest single export category is fruits and vegetables. These exports increased from over $94 million in 1963 to about $135 million in 1970. Exports of oranges have shown an increasing trend during the past 8 years, while grapefruit, preserved fruit, and vegetables have all increased quite sharply. Citrus—both fresh and processed—is still the dominating Israeli agricultural export. Cultivation of citrus

is traditional in the area and the Jaffa orange is world famous.

In 1970-71, nearly 900,000 tons of fresh citrus were shipped, going mainly to Europe, specifically the United Kingdom ($22 million), and West Germany ($18 million).

Israel is the world's largest grapefruit exporter and its European market continues to expand. While the 1969-70 season proved to be somewhat disappointing for Israeli citrus exports, primarily because of lower prices, the 1970-71 season was a record. Exports totaled some 190,000 tons, two-thirds of which went to the European Community. The 1971-72 season is expected to be another good year.

Along with citrus, Israel has excelled in the export of specialty items, grown under special conditions to meet specific demands in Europe. Cut flower exports, for example—a recent addition to the export list—were valued at over $4 million in 1970, double the 1969 value. These exports are expected to contribute $15 million to farm income by 1975.

Strawberries grown under plastic covers contributed $1.8 million in 1970, double that of 1969. This market too is likely to continue expanding. Other items such as avocadoes, lettuce, celery—to mention a few—are also increasing the value of the country's agricultural exports.

A major portion of Israel's agricultural exports consisted of processed products. Citrus products such as orange puree, grapefruit slices, natural orange juice, and orange concentrate contributed nearly two-thirds to the value of processed product exports. Vegetable products—canned, pickled, dehydrated, and frozen—accounted for another 20 percent.

Present forecasts indicate Israel's exports of processed products will reach about $90 million by 1975. The greater part of this increase will come from the sale of vegetables and the larger part of these exports will move to European countries, especially those in the Common Market and the European Free Trade Association. Great Britain is a primary market for many of these products, taking about 40 percent in 1970.

In addition to these items, Israel exports small but economically significant quantities of a number of items. Live animals exports, including poultry, have increased markedly over the past 8 years. Feedstuffs for animals, mainly oilseed cake and crude animal and vegetable materials, have increased sharply since 1963. The oilseed cake is derived from the processing of imported oilseeds, mostly of U.S. origin.

Exports of vegetable oils on the other hand have declined during the period and totaled about $4.8 million in 1970. The other major category which declined during this period was dairy products. Eggs make up the bulk of these exports and they dropped from $5.2 million in 1963 to about $2.5 million in 1970.

Despite the overall increase in agricultural exports, the total trade picture in Israel is not favorable. Israel continues to suffer from huge trade deficits, brought on by large-scale spending for defense needs, but also because of heavy dependence on imports of both raw and finished nonmilitary goods. The merchandise trade deficit in 1970 was by far the largest in the young nation's history and totaled $675 million, but the Israeli Government has taken action to cut down on the deficit.

Last August the Israeli pound was devalued to IS£4.20=US$1. This was the fifth devaluation since 1948 and, while it has caused further domestic inflationary pressures, it has made Israeli products more competitive in overseas markets. The problem for the Israeli Government now is to try to hold the lid on prices, which are rising rapidly.

The Israeli economy continued to make substantial progress in 1970 with the gross national product rising by over 8 percent in real terms. However, this was lower than the 14 percent and 10 percent posted the previous 2 years.

A new Five-Year Plan has recently been promulgated, covering the years 1971 through 1975. The Plan calls in part for more exports of fresh and processed agricultural products and the continued reduction of imports in order to preserve foreign currency reserves.

Agricultural production is expected to increase by 35 percent over this period and by 1975 the value of agriculture could reach $700 million. Half of the additional farm output is intended for export. Fresh produce exports should reach $200 million, compared with $130 million in 1970. Processed agricultural exports should reach a total of $92 million by 1975, compared with $53 million in 1970.

This is the third in a series of articles by members of the Foreign Demand and Competition Division (formerly the Foreign Regional Analysis Division) on U.S. trade prospects in a number of Middle East and African countries.

ISRAEL'S AGRICULTURAL TRADE: TOTAL VALUE AND U.S. SHARE

Item	1963		Average 1967-69		1970	
	Value	U.S. share	Value	U.S. share	Value	U.S. share
	Thous.		*Thous.*		*Thous.*	
Imports:	*dollars*	*Percent*	*dollars*	*Percent*	*dollars*	*Percent*
Meat and meat preparations	6,949	9.7	18,497	3.4	21,610	7.8
Dairy products	2,016	56.7	3,528	4.6	4,075	16.2
Cereal and cereal preparations	49,994	81.9	59,331	84.0	86,223	80.5
Fruits and vegetables	2,963	21.6	5,304	6.1	6,231	10.3
Sugar and preparations	13,287	—	8,071	2.4	10,493	.6
Coffee, tea, cocoa	6,216	—	10,887	—	13,249	—
Tobacco	2,237	20.2	4,011	34.7	4,386	38.5
Hides and skins	3,000	23.0	3,507	34.7	3,012	54.4
Oilseeds, nuts, and kernels	21,735	89.7	32,083	92.2	28,495	89.9
Natural fibers	12,732	15.7	11,569	7.6	2,294	19.0
Vegetable fats and oils	6,216	83.2	4,383	91.4	6,347	79.0
Other agricultural imports	16,648	—	10,416	—	17,218	—
Total agricultural imports	143,993	—	171,587	—	203,633	—
Total all imports	671,522	—	1,060,026	—	1,451,177	—
Exports:						
Dairy products	5,207	—	3,695	—	2,759	—
Fruits and vegetables	94,051	2.1	127,325	3.0	139,587	9.2
Natural fibers	1,909	—	9,042	—	15,216	.3
Animal and vegetable fats and oils	5,470	—	3,091	.2	4,724	.2
Other agricultural exports	7,396	—	19,412	—	28,949	—
Total agricultural exports	114,033	—	162,565	—	191,235	—
Total all exports	349,647	—	587,679	—	775,592	—

Ecuadorean Pyrethrum Production and Exports Drop

Ban on chemical insecticides may help future sales, but development of synthetic pyrethrum may hurt market.

By DAMIÁN MIRANDA
Office of the U.S. Agricultural Attaché
Quito

Ecuador is the Western Hemisphere's largest producer of pyrethrum—an insecticide made from flowers—and its average annual output of 1,738 metric tons of flowers (dry basis) between 1966 and 1970 made it the world's third largest producer during that period. Kenya is the No. 1 global pyrethrum producer and exporter and in 1970-71 produced a crop of some 9,700 tons on a dry flower basis. Tanzania is second.

Despite Ecuador's position as a world pyrethrum producer and exporter, low world prices and rising production costs have depressed its output and foreign sales.

Sales of pyrethrum flowers and extract had risen steadily since 1954 when the country's first shipment of flowers—valued at $33,000—was bought by the United States. By 1965, exports, mainly of extract, rose to almost $2 million. The upsurge in exports halted in that year and exports have dropped steadily since then. Total value of exports in 1971 is estimated at $1 million, about half of the 1965 figure.

ECUADOR'S PYRETHRUM PRODUCTION AND EXPORTS

Year	Production	Exports
	Thous. metric tons	*Thous. dollars*[1]
1955	0.1	45
1956	.1	64
1957	.1	75
1958	.2	163
1959	.3	221
1960	.3	313
1961	.5	483
1962	.5	545
1963	1.1	1,026
1964	1.8	1,427
1965	2.0	1,933
1966	1.8	1,781
1967	1.9	1,609
1968	1.9	1,744
1969	1.7	1,457
1970	1.3	1,241
1971	[2] 1.0	[2] 1,000

[1] F.o.b. Ecuadorean port. [2] Estimated

Despite this steady decline, pyrethrum still has the potential to remain Ecuador's principal industrial export of the Sierra highlands.

Historically the principal purchaser of pyrethrum has been the United States which in 1970 imported some $903,000 worth of Ecuadorean pyrethrum extract. In 1971, the quantity of pyrethrum extract imported from Ecuador by the United States rose by 11 percent—from 106,000 pounds in 1970 to 118,000 pounds in the year just past—while value dropped by 57 percent to $390,000. Ecuador also ships sizable quantities of extract to three LAFTA members—Mexico, Argentina, and Colombia—which accounted for about $300,000 worth in 1970.

Ecuadorean pyrethrum extract contains 20-25 percent pyrethrins and is considered to be of high quality. Partly because of this the industry expects demand for Ecuadorean pyrethrum to strengthen in 1972 and looks forward to a boost in production to meet the demand.

Ecuador grows its pyrethrum flowers, a daisy of the chrysanthemum family, in the high Andean plateaus from 10,000 to 12,000 feet above sea level. It is in these extensive land areas, called *paramo*, that pyrethrum has thrived so well that during the past 20 years it has become the area's principal cash crop and its leading agricultural export product.

Ecuador has ample land resources to increase considerably production of pyrethrum. If this can be done, the number of persons employed in the industry could increase. At the present time more than 6,000 men and women work in some stage of pyrethrum production and about 20,000 others receive a part of their income from this source.

The possibility that Ecuador could produce its own pyrethrum started to attract earnest attention in the early 1940's when Guayaquil—Ecuador's principal port city—was left without insecticides as a result of World War II. This prompted Kaj Arends, an executive of the Ecuadorean H.G. laboratory and drugstore group, to investigate the problems connected with domestic pyrethrum production.

In 1941 Mr. Arends retired from the drugstore business and was joined by his brother, Paul, in what proved to be a 10-year research project to cultivate pyrethrum on their farm in the central highlands of Ecuador.

By 1950 the Arends brothers were ready to produce pyrethrum commercially. They wrote to several U.S. companies to detail their findings and to solicit financial support for their long-range production plans. One year later the U.S. Industrial Chemical Corp. invested in the project, and in 1952 the Ecuadorean-American Pyrethrum Co. was formed to develop domestic pyrethrum production.

This organization offered farmers a guaranteed price for flowers and encouraged them to plant the unfamiliar crop; it also supplied free plants.

Commercial pyrethrum plantations were started in 1953 and in that year 22 tons of pyrethrum flowers (dry

(Continued on page 12)

The author gratefully acknowledges the assistance of Dr. Luis Levy, an Ecuadorean scientist, who furnished much of the data contained in this article.

CROPS AND MARKETS

DAIRY AND POULTRY

Meeting May Lead to End of Mexico's Ban on U.S. Poultry

Following confirmation that the Mexican border was closed to all poultry and eggs from the United States, U.S. representatives met on April 12 with the Mexican Subsecretary of Agriculture and the Director of Animal Health to explain the U.S. Newcastle disease situation in detail. Mexican officials were advised that the disease is now confined to a very limited area, and that a vast section of the United States is considered disease free.

Mexican officials were extended an invitation to send representatives to California to observe eradication and control program operations. It is believed that it may soon be possible with proper veterinary assurances to obtain a statement from Mexican Government officials permitting poultry and eggs from the United States to enter Mexico.

SUGAR AND TROPICAL PRODUCTS

U.S. Cocoa Bean Grind Up Sharply

U.S. cocoa bean grindings during the first quarter of 1972 totaled 174.8 million pounds (79,300 metric tons), up 20.6 percent over first-quarter 1971 grind of 144.9 million pounds (65,700 tons).

Total U.S. grind in 1971 amounted to 615 million pounds (278,900 tons). The sharp increase during the January-March period was due in part to exceptionally heavy grinds by two leading U.S. manufacturers in anticipation of labor strikes at their plants. Lower cocoa bean prices also contributed to the expansion.

European cocoa consuming countries are also experiencing an upturn in their cocoa grinding this year. West German grind for the first quarter of 1972 amounted to 34,429 metric tons, an increase of 2.2 percent over the similar 1971 period. Total West German grind in 1971 was 133,000 tons.

First-quarter 1972 grindings in the United Kingdom rose by 7.4 percent to 22,047 tons. Total U.K. grind in 1971 was 84,400 tons. The Netherlands grind for the first quarter was 31,880 tons, an increase of 2.6 percent. Total Netherlands grind in 1971 was 120,600 tons.

Sugar Output Down In Grenada

Sugar output on the Caribbean island of Grenada in calendar year 1971 amounted to 778 long tons, which was down 22 percent from 1970. A shortage of labor for land cultivation and harvesting has been responsible for the falling production. Sugar recovery rates per ton of cane have also been declining.

The acreage harvested in 1971 was 750 compared with 800 the previous year. Sugarcane farmers are paid a subsidy of US$0.55 per ton of cane harvested, which represents 5 percent of total payments received.

TOBACCO

Cigarette Sales Rise in Thailand

Thailand's manufactured cigarette sales in February 1972 were up almost 15 percent following a 5-percent gain in January 1972 over the same months a year ago.

The rise in sales was chiefly attributed to increased purchases of high-grade cigarette brands having a significant content of U.S. leaf tobacco. The two largest selling brands, each containing U.S. leaf tobacco, rose about 28 percent, more than any other brand.

Efforts of the Tobacco Monopoly to improve sales of high-grade cigarettes have meant a growing market for U.S. tobacco. For the 8 months (July-February) of the current fiscal year a total of 16.7 million pounds of U.S. tobacco has been exported to Thailand compared with 15.5 million in the same months a year ago. The value of exports has increased to a total of $19.2 million, against $12.0 million in the comparable months last year.

Canadian Tobacco Group Seeks Federal Aid for Exports

The flue-cured tobacco growers of Canada, through their Marketing Board, have petitioned the Federal Government for assistance to protect the position of tobacco exports. The outlook for Canadian tobacco exports has worsened with the pending entry of the United Kingdom into the European Community and the approaching recognition of Rhodesia as a possible trading partner with the British and other tobacco areas.

Canadian tobacco exports are expected to be substantially less competitive when the United Kingdom joins the EC because of the loss of the Commonwealth preferential tariff (about 18.5 cents per lb.), which is expected to be phased out, and the changing tariff advantages with other tobacco producers in the EC and associated areas.

Federal assistance has been requested in two problem areas:

- Official talks with the United Kingdom and European Community representatives to insure that all possible steps are taken to protect Canada's tobacco exports; and
- The development of Government programs, including a subsidy program, to facilitate tobacco exports.

Canada's tobacco exports to the United Kingdom in 1971

were 54 million pounds, about 80 percent of the total. Even though total exports have remained about the same since 1969, trade with the United Kingdom dropped last year from a high of about 58 million pounds.

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Apr. 26	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	1.99	−1	[1] 1.97
USSR SKS-14	1.86	−1	1.92
Australian FAQ	([2])	([2])	1.83
U.S. No. 2 Dark Northern Spring:			
14 percent	1.89	0	1.95
15 percent	1.98	+2	2.01
U.S. No. 2 Hard Winter:			
13.5 percent	1.82	+1	1.91
No. 3 Hard Amber Durum	1.84	+1	1.85
Argentine	([2])	([2])	([2])
U.S. No. 2 Soft Red Winter	([2])	([2])	1.76
Feedgrains:			
U.S. No. 3 Yellow corn	1.47	+1	1.66
Argentine Plate corn	1.74	+2	1.68
U.S. No. 2 sorghum	1.50	0	1.46
Argentine-Granifero sorghum	1.50	−1	1.43
U.S. No. 3 Feed barley	1.19	−2	1.32
Soybeans:			
U.S. No 2 Yellow	([2])	([2])	3.20
EC import levies:			
Wheat [3]	[4] 1.67	0	1.52
Corn [5]	[4] 1.10	0	.90
Sorghum [3]	[4] 1.06	3	1.04

[1] Manitoba No. 2. [2] Not quoted. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Until Aug. 1, 1972, Italian levies are 19 cents a bu. lower than those of other EC countries. Note: Basis—30- to 60-day delivery.

Canada To Assist Venezuelan Flour Mill

X-Can Grain Limited, a sales and export company owned by United Grain Growers and the Alberta, Saskatchewan, and Manitoba Wheat Pools has agreed to provide financial and technical assistance to Mosilca (Malinas y Silos de Guayana, C.A.) in Venezuela. The contract is reportedly to "promote the sale of Canadian wheat" to this Venezuelan flour mill which has not used Canadian wheat in recent years. The arrangement was supported by the new Canadian Government's market development program.

FRUITS, NUTS, AND VEGETABLES

South African Canned Fruit Pack Is Slightly Smaller

South Africa reports a slightly smaller canned deciduous fruit pack for the current season. Weather conditions were good, and 1972 production is estimated at 9.3 million cases, 1 percent below last year's pack of 9.4 million cases but above the 1965-69 average. Production of peaches is estimated at 5.5 million cases, pears at 1.5 million cases, and mixed fruit at 1.4 million cases.

Preliminary statistics indicate that exports for the 1971 season totaled 6.5 million cases. Exports of canned peaches amounted to 4 million cases, slightly more than during the previous season. Exports of pears and mixed fruit totaled 1 million cases each. The United Kingdom is the major market for South African canned fruit.

SOUTH AFRICAN CANNED DECIDUOUS FRUIT PRODUCTION

Item	1969	1970	1971	1972 [1]
	1,000 cases [2]	*1,000 cases* [2]	*1,000 cases* [2]	*1,000 cases* [2]
Peaches	4,927	4,729	5,526	5,500
Pears	1,547	1,503	1,562	1,500
Mixed fruit [3]	1,119	1,187	1,346	1,450
Apricots	669	343	721	600
Other [4]	171	181	197	210
Total	8,433	7,943	9,352	9,260

[1] Estimate. [2] Equivalent: 24/2½ basis. [3] Includes fruit cocktail and fruit salad. [4] Includes apples and grapes.

SOUTH AFRICAN SUPPLY AND DISTRIBUTION OF CANNED PEACHES

Item	1969	1970	1971 [1]	1972 [2]
	1,000 cases [3]	*1,000 cases* [3]	*1,000 cases* [3]	*1,000 cases* [3]
Beginning stocks (Nov. 1)	282	562	832	1,831
Production	4,927	4,729	5,526	5,500
Total supply	5,209	5,291	6,358	7,331
Exports	4,202	3,901	3,979	—
Domestic disappearance	445	558	548	—
Ending stocks (Oct. 31)	562	832	1,831	—
Total distribution	5,209	5,291	6,358	—

[1] Revised. [2] Forecast. [3] Equivalent 24/2½ basis.

Smaller Argentine Dried Fruit Crop

Unfavorable weather in the raisin area and greater utilization of fresh plums reduced the 1972 Argentine dried fruit pack. Production is estimated at 5,900 short tons, only about 57 percent of 1971. Raisin and currant production is estimated at 2,800 tons, 32 percent below last year. Late frosts, hail storms, and strong drying winds characterized the raisin growing season. Production of fresh plums is reported above last year. However, larger sales in the fresh market have reduced quantities available for drying, and dried prune production is estimated at 3,100 tons, less than half the 1971 level.

Smaller exports are forecast during 1972. Calendar 1971 exports of dried fruit totaled 5,139 tons. Approximately 68 percent of the exports were prunes and the rest raisins and currants. Brazil and Mexico were the major markets.

ARGENTINE DRIED FRUIT PRODUCTION

Item	1969	1970	1971	1972
	1,000 short tons	*1,000 short tons*	*1,000 short tons*	*1,000 short tons*
Prunes	6.4	6.8	6.3	3.1
Raisins and currants	2.2	3.3	4.1	2.8
Total	8.6	10.1	10.4	5.9

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FOREIGN AGRICULTURE

Ecuadorean Pyrethrum Production, Exports Drop

(Continued from page 9)

basis) were produced. During the next 10 years output continued to increase moderately until 1961 when more than 500 tons were harvested.

In 1963 large-scale farming operations got underway and production in that year took a dramatic jump to 1,136 tons, more than double the previous year's output. During the following 5-year period—from 1964 to 1968—output averaged approximately 1,900 tons annually from an average cultivated area of 16,000 acres.

In the last few years, however, there has been no further expansion in area and many plantations were abandoned. In 1969 flower production fell off to 1,740 tons with a further decrease to 1,323 tons in 1971. Estimated production in 1970 was 1,000 tons.

Higher prices now being offered to producers have stimulated the replanting of some abandoned fields. Processors were able to increase payments because they had improved processing methods which, together with devaluation of the sucre in August 1970, permitted them to pay farmers approximately 50 percent more for pyrethrum flowers.

Ecuador has two industrial plants to process pyrethrum flowers into extract with an annual capacity of 3,000 tons of flowers. Each of these extracting firms handles approximately 50 percent of the year's crop. At the present time the two are considering a merger in order to increase efficiency and to be able to pay farmers even higher rates for their flowers.

According to pyrethrum farmers, the principal reason for a drop in pyrethrum output in Ecuador has been a combination of economic factors. Labor costs, which 5 years ago amounted to 50-60 percent of total production expenses, have risen steadily and now they amount to as much as 80 percent. The Government of Ecuador has increased farm wages approximately 150 percent in the past 3 years, accounting for much of the rise in costs.

There are also other problems that affect not only Ecuador but all other pyrethrum-producing countries including Kenya and Tanzania. Among these was a drop in world market prices in July 1968 which forced a decline in Ecuador's export prices, causing a sizable loss to the industry. Lower payments to the farmers resulted in decreased flower production and a drop in the level of plant use. These sent production costs upward.

But perhaps the most serious problem facing the pyrethrum industry in Ecuador and in other countries is the possibility that synthetic pyrethrum production may be developed to a point where it can successfully compete with the natural product.

Restrictions on the use of chemical insecticides such as DDT in some developed countries have increased the demand for natural products like pyrethrum. To capitalize on the situation scientists have formulated a synthetic pyrethrum having some of the same qualities as the natural insecticide. Research is underway to develop a method to produce it commercially in large quantities. Should the marketing of the synthetic prove successful, the effect might be to depress natural pyrethrum prices even lower than current levels. This could hand the Ecuadorean industry a second setback from which it might not recover.

Pyrethrum producers for their part are seeking to discover new uses for the product in order to weather such an eventuality. At the same time they are actively promoting the advantages of using natural pyrethrum insecticides, especially because the natural product has few ecological repercussions.

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